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C O N F I D E N T I A L SECTION 01 OF 03 COLOMBO 000545

SIPDIS

DEPARTMENT FOR SA, SA/INS, S/CT
DEPARTMENT PLEASE ALSO PASS TOPEC
NSC FOR E. MILLARD

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TAGS: PGOV PREL ECON PTER CE LTTE ECONOMICS

SUBJECT: In visit to Sri Lanka, SA DAS Patterson
discusses April 2 elections, plus peace and economy

Refs: Colombo 515, and previous

(U) Classified by Ambassador Jeffrey J. Lunstead.
Reasons 1.5 (b, d).

11. (C) SUMMARY: SA DAS Torkel Patterson visited Colombo, March 21-23. Highlights of the visit included meetings at the MFA, with a key adviser to President Kumaratunga, with local diplomats, and with local business leaders, including the American Chamber of Commerce. Key issues discussed included the April 2 parliamentary elections, the peace process, and the economic situation. The visit served to underscore continued high-level USG engagement with Sri Lanka during this sensitive timeframe. END SUMMARY.

MFA Meetings

12. (C) Deputy Assistant Secretary for South Asian Affairs Torkel Patterson visited Colombo, March 21-23. On March 22, DAS Patterson and Ambassador Lunstead held separate meetings with Foreign Minister Tyronne Fernando and Foreign Secretary Bernard Goonetilleke. Patterson and the Ambassador used both meetings to review CHR priorities, including the Cuba and China draft resolutions, and the Iraq situation (see Reftels). In a brief discussion regarding Sri Lanka's April 2 parliamentary elections, Goonetilleke remarked that he felt that voter turnout might be lower this time around due to voter dissatisfaction with the two major parties. Foreign Minister Fernando claimed that the campaign of his United National Party (UNP) was getting a good response among younger voters, but admitted that confidence in the UNP on economic issues among "the average voter" was low.

Meeting with Key Presidential Adviser

13. (C) On March 22, DAS Patterson and Ambassador also met with Lakshman Kadirgamar, former foreign minister and a key adviser to President Kumaratunga. Asked for his views on the election campaign, Kadirgamar seemed confident that Kumaratunga's "United People's Freedom Alliance" (UPFA) would do well. There had not been much violence so far in the campaign, he related. He thought, however, that there could be some post-election violence. President Kumaratunga was prepared to deal with any such incidents, he said. Queried re the split in the Liberation Tigers of Tamil Eelam (LTTE) (see Reftels), Kadirgamar thought there was some prospect of reconciliation between breakaway eastern rebel leader Karuna and Tiger leader V. Prabhakaran. That said, any possible reconciliation would likely take place after the April 2 election, as would any possible armed conflict between the two sides. DAS Patterson noted the degree of control the GSL had over Sri Lanka's media. Kadirgamar, who is currently the Minister of Media and Communications, agreed that the state-run media outlets were quite influential. There had been attempts to reform the situation in the past, but they had all failed. (Per Reftels, the Ambassador also raised the issue of the fabrication of results of a poll in government-controlled newspapers on March 20. The poll had been partially financed by USAID. Kadirgamar said he would look into the matter.)

Dinner with Local Diplomats

14. (C) DAS Patterson also attended a March 22 dinner at the Ambassador's residence with local diplomats, including those from Norway, the UK, the EU, Netherlands, and Canada. The natural focus of conversation was the upcoming parliamentary election. The overall feeling at the dinner was that it was not precisely clear how the political situation was playing

out. That said, most agreed that the President's UPFA grouping had gotten off to a fast start and was probably ahead at this point in the race. Prime Minister Wickremesinghe's UNP had gotten off to a very slow start, but its campaign was getting more active.

Norwegian Ambassador Brattskar noted that the anti-peace process JHU party -- in an unprecedented move -- was running an all-Buddhist monk candidate slate, and might pick up between 2-5 seats in Parliament. It was not clear whether the JHU's support would come from voters who might have supported the UPFA, or would come from voters who were dissatisfied with the two major parties and were looking for other alternatives. Regarding the LTTE split, there was widespread agreement that the main LTTE organization would probably wait until after the April 2 election to try to displace Karuna via an armed attack or by trying to entice Karuna's supporters away from him.

Commerce Ministry Meeting

15. (C) Secretary of Commerce and Consumer Affairs Harsha Wickramasinghe and Director General of Trade K.J. Weerasinghe updated DAS Patterson March 22 on current political activities, GSL positions in the WTO, and progress in BIMST-EC (Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Cooperation) and SAFTA (South Asia Free Trade Agreement) talks. Wickramasinghe discussed UNP election tactics designed to discredit the JVP's stance that it is a credible political party, by highlighting its brutal past actions. He also noted that the pro-LTTE Tamil National Alliance (TNA) had said they would not ally with the United People's Freedom Alliance (UPFA), but would hold out for as much as they could get from the UNP.

16. (C) On WTO issues, Weerasinghe promised that the GSL Representative in Geneva would support USG positions on UNCTAD and on food aid issues. The GSL is now busy finalizing its proposals for accession to the Information Technology Agreement, fulfilling a commitment made during the last round of TIFA talks. Wickramasinghe mentioned that he saw BIMST-EC as an important bridge between SAARC and ASEAN, and as a tool to open up Myanmar's trade regime. Weerasinghe bemoaned the multiplicity of bi- and multi-lateral trade regimes, and noted the need for convergence.

AMCHAM Roundtable

17. (U) During a March 22 meeting with members of the American Chamber of Commerce, DAS Patterson outlined USG views on regional developments of the past two years and asked for insights into the current domestic political situation and business climate. IBM Managing Director and former Amcham President, Kavan Ratnayaka described IBM efforts to support open source software development, noting that Sri Lanka has become an internationally recognized "brand" in the open source community.

18. (SBU) Amcham Director Graetian Gunawardene, whose company manufactures Samsonite luggage, noted that the export sector has been driving growth and employment. He asked specifically for DAS Patterson's support in pushing for a U.S.-Sri Lanka Free Trade Agreement (FTA) and in returning U.S. visa validity to 5 years. (Note: We are discussing possible changes in our visa reciprocity schedule with the GSL.) Noting that Sri Lanka has a long democratic tradition, even through some very difficult times, Gunawardene suggested there should be closer U.S.-Sri Lanka commercial ties to match their shared democratic ideals. Patterson promised to review FTA issues when he got back to Washington, and urged the Amcham to consult with the GSL's Ministry of Foreign Affairs to promote a review of the reciprocity issues that have led to the limited validity of U.S. visas for Sri Lankans.

19. (C) On the current political situation, optimism about the future mixed with concerns about short-term political realities. Ratnayaka (a longtime UNP supporter whose family is close to the Prime Minister) raised concerns about the opposition's ability to move forward on the peace process due to the LTTE's lack of trust in the President. Others in the group, including Citibank CEO Kapila Jayawardena, thought the LTTE would look closely at who wins the April 2 election and would be willing to deal with whichever party wins, assuming that party has the intention of negotiating a workable solution. Outgoing Energizer Managing Director Sunil de Alwis commented that Sri Lanka remains an attractive place to do business. He mentioned Energizer's new USD

2 million investment, which upgraded its manufacturing facility and improved Energizer's ability to meet increased domestic demand and a potential export market into India as well. Citibank and Energizer reps said their Sri Lankan operations are leading performers in their respective companies. Jayawardene noted that American companies tend to do well in Sri Lanka. Citibank's own return-on-equity in Sri Lanka is over 50 percent, the best in Asia.

COMMENT

¶10. (C) As the many threads laid out above indicate, this is a very sensitive timeframe for Sri Lankans, who have deep worries about the future of the peace process and the economy. These overall concerns are fed by specific worries over the unstable pre- and post-election period, over what the radical JVP might do in power if the UPFA wins, over what the LTTE split means for the peace process, etc. Given this complex, fluid, situation, DAS Patterson's visit was reassuring to Sri Lankans, who deeply appreciate continued high-level USG engagement in support of the peace process. END
COMMENT.

¶11. (U) DAS Patterson was not able to clear on this message before departing Post.

¶12. (U) Minimize considered.

LUNSTEAD